



Treasury Inspector General for Tax Administration

STRONGER MANAGEMENT OVERSIGHT IS REQUIRED TO ENSURE VALUABLE SYSTEMS MODERNIZATION EXPERTISE IS RECEIVED FROM THE FEDERALLY FUNDED RESEARCH AND DEVELOPMENT CENTER CONTRACTOR

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Highlights

Highlights of Report Number: 2007-20-002, to the Internal Revenue Service Chief Information Officer.

IMPACT ON TAXPAYERS

A sample of work products delivered by the contractor contributed significantly to the IRS modernization effort, and IRS officials were satisfied with the contractor's performance in several areas. However, required annual assessments are not being completed timely, performance criteria are undefined, and requirements to document the contractor's performance are lacking. Without strengthened management oversight, the contractor could deliver products and services that do not meet cost, schedule, and quality goals leading to wasteful spending of taxpayer funds.

WHY TIGTA DID THE AUDIT

The Internal Revenue Service (IRS) is currently conducting a multiyear, multibillion dollar effort to update its core business systems, known as Business Systems Modernization. To facilitate the modernization effort, the IRS hired a Federally Funded Research and Development Center contractor to provide strategic, technical, and program management advice, guidance, and support services. The Federally Funded Research and Development Center uses private resources to accomplish tasks that cannot be completed effectively by existing Federal Government employees or contractors. Since the inception of the Federally Funded Research and Development Center contract in 1999, task orders related to the Business Systems Modernization program have totaled about \$123 million. This audit focused on whether the contractor effectively delivered products and services, and the IRS effectively and timely monitored the contractor's performance.

WHAT TIGTA FOUND

TIGTA determined a sample of 25 work products delivered by the contractor contributed significantly to the IRS modernization effort. In addition to delivering valuable products, the contractor provides advice and counsel, which IRS officials use to make critical

decisions related to the modernization program. TIGTA asked key IRS officials responsible for monitoring the contractor's performance to rate the quality and timeliness of advice and counsel provided by the contractor and the overall expertise of contract officials. IRS officials indicated they were satisfied with the contractor's performance in these areas.

To ensure the contractor continues to meet the IRS' needs, the IRS should monitor more effectively the contractor's performance in terms of timeliness, quality, and cost. For example, the IRS does not prepare a Task Order Monitoring Plan, a practice commonly employed for modernization task orders, for this contractor's task orders. A Task Order Monitoring Plan describes the various Government roles and responsibilities for monitoring and documenting the contractor's performance against timeliness, quality, and cost goals. While a Task Order Monitoring Plan is not required, TIGTA believes this is a very good practice for ensuring the continual monitoring of a contractor's performance. Also, required annual assessments are not being completed timely, performance criteria are undefined, and requirements to document the contractor's performance are lacking.

WHAT TIGTA RECOMMENDED

To ensure the value received from contractor activities remains high and funds are spent wisely, TIGTA recommended the Chief Information Officer develop a Task Order Monitoring Plan for the Federally Funded Research and Development Center modernization task orders. The Monitoring Plan should include a requirement to conduct and document periodic evaluations throughout the year to assess quality, timeliness, and cost of contractor products and services. The Plan should also include criteria for measuring quality and timeliness of significant contractor products and services.

The Chief Information Officer agreed with our recommendation and will develop monitoring plans for Federally Funded Research and Development Center modernization task orders. The monitoring plans will include a requirement to conduct and document periodic evaluations to assess the timeliness, quality, and costs of deliverables and services provided by the Federally Funded Research and Development Center contractor.

READ THE FULL REPORT

To view the report, including the scope, methodology, and full IRS response go to:

<http://www.treas.gov/tigta/auditreports/2007reports/200720002fr.pdf>.

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